

# You can't run your business much longer from the seat of your pants

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A little belt tightening, more capable management, sounder financial practices and less hanky-panky seem to be the order of the day for those who want to succeed in construction.

That was the message contractors from across the country received in Atlanta, Ga., last week at the Associated General Contractors' (AGC) first management conference.

"You look the way you did 50 years ago," said Robert L. Kunzig, administrator of General Services Administration (GSA). "The winds of change are blowing. You need new procedures and new attitudes."

Among the suggestions the conference produced were:

- Cut down on small expenses (travel, entertainment, Christmas gifts, company cars, club dues). Project your cash flow realistically. Improve your cash position. Avoid hot money. Establish close communications with more than one bank and seek lines of credit. Don't diversify into or invest in unrelated fields.

- Build or buy a management team that includes a professional financial officer.

- Heavy and highway contractors, whose machinery maintenance and depreciation represent 35% to 45% of unit costs, should improve their maintenance records and supervision, and employ mechanical supervisors.

- Place a premium on quality supervision and performance, seek excellence, and reward individuals at all levels on the basis of merit.

- Be receptive to new ideas, new methods, new techniques. Give systems building, phased construction and the construction manager procedure a chance.

- Beware of organized crime. Resist bribery, extortion and kickback demands.

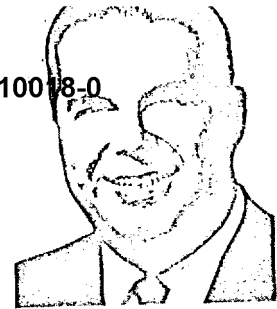
**A sense of urgency.** Most of the suggestions were tagged as urgent.

Robert L. Joss, an Administration economist, predicted another year of economic sluggishness and profit squeeze. Atlanta and Chicago bankers King D. Cleveland and James A. Bourke warned of the need to compensate for the erosion of profits by inflationary wage increases, labor shortages and overtime. Approved For Release 2002/02/19 : CIA-RDP86-00244R000200510018-0 one of the industry's most critical problems. And Kunzig stressed the need to

develop faster and more economical ways to build.

Kunzig had brought several of his staff to Atlanta to discuss GSA's new contracting procedures which include the use of construction managers and phased construction (ENR 6/25 p. 50). procedures that are giving the AGC concern. Although Kunzig said their use is urgent, his staffers indicated the procedures are still in a state of flux.

Looking at the challenges contractors face, Paul G. Bell, chairman of AGC's



GSA's Robert Kunzig  
"Winds of change."

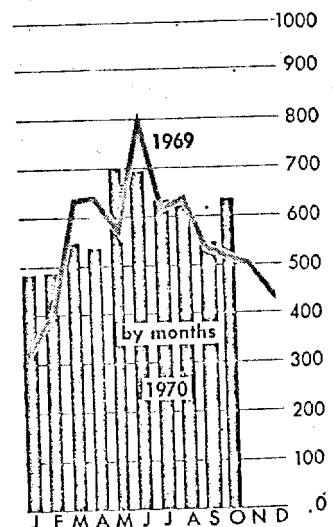
goals and objectives committee, said, "We can no longer run our businesses from the seat of our pants." Kunzig warned, "What won't change must go."

## Bidding volume in October

	5 wks. value (\$ mil.)	Chg. fr. mo. ago %	Chg. fr. yr. ago %	Cum. 10 mos. value (\$ mil.)	Chg. '69-'70 %
Total*	3,175	+9	+19	26,063	+3
Hvy. const. total	1,419	+2	+42	12,147	+13
Water use, control	424	+52	+72	3,523	+59
Waterworks	77	+63	+28	726	+15
Sewerage	186	+55	+38	1,325	+36
Treatment plants	66	+112	+100	412	+96
Earthwork, waterways	161	+45	+210	1,471	+145
Transportation	884	-4	+35	7,405	+2
Highways	505	-35	+11	5,429	+6
Bridges	47	-44	-46	837	-31
Airports	87	+84	-77	540	-22
Terminals, bldgs.	27	+16	-29	233	-15
Elec. gas, comm.	86	-42	+72	960	-13
Other hvy. const.	26	-25	-38	247	-47
Nonres. bldg. total	1,494	+16	+2	11,887	-3
Manufacturing	37	-77	-79	1,195	-32
Commercial	401	+13	+9	2,850	+18
Offices	278	+49	+22	1,785	+25
Stores, shop. ctrs.	82	-16	-32	711	+1
Educational	592	+27	+22	4,446	+3
College, univ.	303	+48	+17	2,031	+4
Medical	180	+11	-24	1,669	-7
Hospital	114	+20	-43	1,266	-11
Other	310	+112	+60	1,754	-13
Housing, multiunit*	261	+33	+24	2,029	+8
Apartments	173	+7	+1	1,400	+14

\* Excludes 1-2 family houses. Minimum sizes included are: Industrial plants, heavy and highway construction, \$100,000; buildings, \$500,000. † Based on average week.

## Weekly average (in \$ millions)



## October contracting activity climbs sharply

A sharp rebound in contracting activity in October halted a four-month slide and pulled the 10-month's volume 3% ahead of last year.

On a seasonally adjusted basis, October was the best month since last May. Moreover, bidding volume came within a whisker of matching the October record set in 1967 (ENR's figures include low bids for public works and contract awards for private work other than homebuilding).

October's upswing featured a 52% jump in water project lettings and sharp increases in college, office and hospital buildings. All of these, except hospitals, scored big advances

over October, 1969. In addition, ABM missile facility construction contracts gave a \$200-million-plus thrust.

Highway awards, down seasonally, easily topped a year-ago volume crimped by Washington's jawboning for cutbacks in state highway awards to help fight inflation. Though federal highway aid is reined in slightly this year, awards to date are up 6% to a new high, but bridge lettings are sagging.

New York continues to rank first in 1970 construction bidding volume and had 13.7% of October's volume. For the year to date, it has 11% of U. S. building and 10.3% of heavy and highway construction volume.

## some contractors fight back

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The Illinois Road Builders Association and five other contractor groups, caught in a collective bargaining impasse, locked out 2,800 operating engineers last week, halting work on \$300-million worth of road, bridge and airport construction in 14 Illinois counties that include the metropolitan Chicago area.

At the time of the lockout, the engineers were demanding three-year increases of \$4.75 and \$5.20 an hour (75% and 88%) for men in their two top classifications, increases that would give them \$11.05 an hour by 1972, or \$16,575 for a 1,500-hour year. They had rejected an offer of \$3.25 (51%) over three years.

The Illinois contractors, however, had lots of company. Last week's estimates of construction bargaining strikes then in progress ranged from 150 to 160. Cement masons in Cincinnati were asking for \$4.11 over two years, ironworkers in Indianapolis for \$5.40 over three years, and plumbers, pipefitters and sheet metal workers in the Minneapolis/St. Paul area for \$2.50 for one year, an increase that would boost their annual earnings to \$17,400.

And last week in Canada, a similar tempo in construction bargaining triggered the federal Prices and Incomes Commission into action. Toronto reinforcing ironworkers had settled for a 20%, one-year increase and ready mix drivers for 30% (20% and 10%) over two years, amounts far in excess of the commission's 6% (for 1970) and 4% (for 1971) guideposts. In an apparent effort to help stem the tide of wage inflation, the commission decided to investigate the settlements. Although created by statute, the commission has no power to dictate wage and price decisions, but it can attempt to cajole and persuade through the power of criticism and condemnation.

**A preventive measure.** The Illinois contractors said the lockout of operating engineers was imposed to prevent selective strikes by the union. Calling the wage demands exorbitant and inflationary, they said "the union's divide and conquer tactics should be anticipated and met head on."

Meanwhile, construction jobs in Chicago and Cook County have been hit by a cement masons' strike for an increase of \$2 (31%) contract.

Commenting on the demands of the two unions, an industry spokesman said, "We are witnessing a complete disregard for the public interest and a lack of concern with what this posture will do to the economy. It might be easy enough to simply go along with the unions on the premise that we can just pass increased costs on to the public. But an attitude like that is obsolete, irresponsible and unacceptable."

Elsewhere, a six-week strike has net-

## Federal building agency overhauls operations

In tune with the Administration's goal of streamlining federal government operations, the General Services Administration (GSA) plans to implement new contracting procedures designed to cut construction costs and increase the flexibility of its building program.

Drawing heavily from successful private construction management techniques, GSA will emphasize centralized project responsibility, reduced design and construction time, and use of flexible management techniques.

To centralize construction responsibility, GSA may establish a project manager organization through which a GSA employee, designated project manager, will have total operating authority for a construction project.

Three alternative contracting systems are recommended for GSA use depending on the size and design complexity of the job. The first, for medium size projects, would modify the traditional design-bid-construct sequence of Public Buildings Service (PBS, a GSA agency responsible for building federal structures) by providing for concurrent design review and shortened design and construction schedules. A second method, for large office buildings and complex design projects, would replace the general contractor with a construction manager, a prime civilian contractor who would work with the project manager and architect to plan the budget and supervise the project's construction. Under this system the government would contract for various portions of the work and probably use a phased construction approach whereby elements of design and construction

intent possible to conserve time.

\$1.05 over one year. An arbitrated settlement by the Council of Industrial Union has given Rochester and Geneva, N.Y., electrical workers \$2.75 over 25 months. Plumbers and steamfitters in Washington (except for Seattle) and in northern Idaho and northeast Oregon have won \$2.13 over 18 months.

In Kansas, new three-year contracts carry an increase of \$3.425 for Topeka bricklayers, carpenters, cement masons, teamsters and laborers. And settlements in Wichita run from \$3.10 for laborers and teamsters to \$5.10 for operating engineers, all over three years.

The third alternative system involves the turnkey concept which is already used by the Department of Housing and Urban Development to obtain public housing. Although a GSA manager would still have responsibility for the project, a private commercial developer, with private financing, would carry out the entire design and construction effort with the government purchasing the building upon completion.

Some GSA changes that could cut construction time considerably will depend upon legislation to modify congressional appropriation procedures. These include:

- Authority to use preliminary planning funds to acquire site options.
- Selection of architect, engineer and project site and start of initial design work prior to the appropriation of design funds.
- The use of a lump-sum appropriation that would eliminate the costly time lag between separate appropriations for site acquisition, design and actual construction.

The attempt to improve contracting procedures stems from a critical study of current practices followed by PBS. The new procedures were recommended by a panel of government officials who worked in consultation with private industry.

Robert L. Kunzig, GSA administrator, calls the recommendations a blueprint that GSA will follow in future construction contracting. "Obviously, in the present climate of steadily rising construction costs, a saving of time means money. I have directed the study expeditiously implemented," says Kunzig.

Our situation NPIC?